

Message Text

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SUBJECT: RICE COUNCIL REP MEETS WITH HUNGARIAN FTO

1. GRIDER OF U.S. RICE COUNCIL AND AGATT ON APRIL 5 MET
WITH SAMU OF AGRIMPEX (FTO) TO DISCUSS THE RICE SITUATION
IN HUNGARY. FOLLOWING ARE MAJOR POINTS LEARNED.

2. HUNGARY USUALLY IMPORTS ABOUT ONE-THIRD OF ITS RICE
NEEDS WHILE THE REST IS PRODUCED DOMESTICALLY ON 25,000
HECTARES, DOWN FROM 33,000 HECTARES SEVERAL YEARS BACK.
TOTAL ANNUAL CONSUMPTION IS NOW RUNNING AT THE RATE OF
75,000 TONS (ROUGH BASIS) OR ABOUT 5 KG PER CAPITA OF
MILLED RICE. CONSUMPTION IS RISING SLOWLY.

3. BECAUSE OF EARLY FALL FREEZES, PRODUCTION OF RICE IN
HUNGARY DROPPED SUBSTANTIALLY DURING 1976 AND 1977 TWO
YEARS IN A ROW. AS A RESULT IMPORTS OF RICE WERE
ALREADY SHARPLY UP IN 1977 AND WILL REACH SOME 25,000
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TONS IN 1978. MAJOR SOURCE OF IMPORTS IN RECENT YEARS
WERE THE PEOPLES REPUBLIC OF CHINA, BRAZIL, EGYPT AND
NOW ITALY.

4. THE PRICE OF RICE IS A MAJOR FACTOR IN DETERMINING
THE SOURCE OF IMPORTS. IN THIS CONNECTION SAMU SAID
THAT U.S. PRICES ARE OFTEN 50 PERCENT HIGHER THAN SUPPLIERS

FROM ALTERNATIVE SOURCES. HE RECOGNIZES THAT U.S. RICE IS OF HIGH QUALITY BUT THEN HUNGARY IS NOT A QUALITY MARKET. FOR EXAMPLE, THE ITALIAN RICE THAT IS NOW COMING INTO HUNGARY CONTAINS 15 PERCENT BROKEN KERNELS, AGAINST A GOOD STANDARD QUALITY OF 2 OR 3 PERCENT. FURTHERMORE, UNDER LONG TERM CLEARING AGREEMENTS (BARTER) HUNGARY IS FORCED TO ACCEPT SEVERAL THOUSAND TONS OF RICE YEARLY FROM SOURCES SUCH AS CHINA WHICH HAS LITTLE OTHER GOODS TO OFFER IN CXCHANGE FOR HUNGARIAN EXPORTS.

5. SAMU WAS GREATLY IMPRESSED WITH THE SMALL SAMPLE OF LONG GRAIN RICE SHOWN BY GRIDER AND WISHED HE COULD BUY SOME FOR THE RESTAURANT TRADE. HE SAID, HOWEVER, BECAUSE OF FIRST PRIORITY GIVEN TO LOWEST COST RICE (AND PROBABLY LOWEST QUALITY) THIS WILL NOT BE POSSIBLE FOR THE TIME BEING.

6. COMMENTS. BELIEVE VISIT BY GRIDER TO HUNGARY WAS WELL TIMED. IT CAME AT THE TIME WHEN HUNGARY HAS HAD TWO POOR RICE CROPS IN A ROW AND IMPORT NEEDS ARE RISING. ALTHOUGH U.S. PRICES ARE NOW SUBSTANTIALLY HIGHER THAN PRICES OF RICE FROM OTHER SOURCES, THIS PRICE DIFFERENTIAL COULD BE REDUCED SUBSTANTIALLY WITH THE EXPECTED INCREASE IN U.S. PRODUCTION IN 1978.
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